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SUBJECT: Fiscal Transparency for the Dominican Republic

REF: 10 STATE 1923; 10 SANTO DOMINGO 3

¶1. (U) This cable responds to Ref A request regarding information on the transparency of the budget of the Government of the Dominican Republic (GoDR).

¶2. (U) The questions and answers follow:

-- Is the central government expected to receive funding under the FY 2010 SFOAA?

(U) Yes.

-- Is the host country's annual national budget publicly available?

(U) Yes. The Senate (<http://www.senado.gov.do/Portals/SILSenado/>) has the complete versions of the 2009 and 2010 budgets on its website. The Office of Public Credit in the Ministry of Hacienda (<http://www.creditopublico.gov.do/ingles/index.htm>) has a condensed version of the 2009 budget law on its website); this version does not include the annexes that detail the line items for the individual ministries. The Directorate General of the Budget in the Ministry of Hacienda does not appear to have published the budget on its website, but did provide Econoff with a CD containing the information upon request.

-- Are incomes and expenditures included in the publicly-available budget? What is post's assessment of the extent to which the publicly-available budget accurately reflects actual government incomes and expenditures?

(U) The budget does include incomes and expenditures. However, the information covers only broad categories of expenditures, with the budgets of most government ministries and offices detailed in one- or two-page spreadsheets. More troubling, the Office of the Presidency (see Ref B) has been allotted over USD 1.2 billion of the USD 10.5 billion (or 11.4 percent) of the 2010 budget, similar to previous years. Large sections of the budget of the Presidency - similar to the ministries and offices - are undetailed. See para 3 for comment.

-- Have there been any events since the 2009 review that may have affected fiscal transparency (e.g., a coup)?

(U) No.

-- Since last year's review, what efforts has the host government undertaken to improve fiscal transparency? What progress has been made, pursuant to the 2009 demarches on the subject (reftels)?

(SBU) Some progress has been made since the last review. The 2010 budget contains new - and extremely useful - reports that detail the fiscal policy the government used to guide its drafting of the budget as well as its plans for the 2011 and 2012 budgets, given the impact of the recently-approved International Monetary Fund Standby Agreement. Moreover, the Office of Public Credit included details of the projects it plans on financing in 2010 as specific items in the budget. However, the failure of the GoDR to cease allocating over 10 percent of the budget to the Presidency and to provide detailed line items outlining the budgets of the ministries and offices continues to raise serious concerns over the transparency of the budget.

¶3. (SBU) COMMENT: EconChief met with officials from the Directorate General of the Budget on January 7 to discuss the budget. The officials described the budget process, which starts in July or August with the preparation of a preliminary report. The budget is presented to Congress somewhere in the late fall and it is first considered by a bicameral joint commission before heading to the floors of each house. The officials noted that

congressional procedures make it difficult to change the budget when it is introduced for debate, so the version that leaves the joint committee is usually final. In response to EconChief's questions regarding the lack of detailed line items, the officials noted that the Dominican Congress had never asked for more detailed information than the GoDR usually provided. As such, once the budget is passed, the budget office works with the various ministries and offices to fill in the blanks. As noted in Ref B, EconChief also asked about the requirement that the GoDR allocate four percent of GDP to education spending. In response, the officials noted that approximately 25 mandatory spending requirement laws exist (e.g., the budget should allocate 10 percent of funds directly to the municipalities), but that each budget contained language exempting the government from these requirements if it failed to meet them.

Lambert